

Execution Copy

**MASTER POWER PURCHASE AND SALE AGREEMENT
AMENDED AND RESTATED CONFIRMATION LETTER**

This amended and restated confirmation letter shall confirm the Transaction agreed to on April 22, 2002 and effective May 1, 2002 between Calpine Energy Services, L.P. ("Party A") and State of California Department of Water Resources with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Calpine Energy Services, L.P.

Buyer: State of California Department of Water Resources

Product:

☐ Into _____, Seller's Daily Choice

☐

☐ Firm (No Force Majeure)

☐ System Firm

(Specify System: _____)

☐ Unit Firm

(Specify Unit(s): See "Special Conditions" below.)

☒ Other

Product 1: Firm (LD) at 100% load factor, 24 hours per day, 7 days per week.

If delivered, Buyer must take and pay for energy.

Product 2: Firm (LD), subject to and scheduled in accordance with "Special Conditions" below.

☐ Transmission Contingency (If not marked, no transmission contingency)

☐ FT-Contract Path Contingency ☐ Seller ☐ Buyer

☐ FT-Delivery Point Contingency ☐ Seller ☐ Buyer

☐ Transmission Contingent ☐ Seller ☐ Buyer

☐ Other transmission contingency

(Specify: _____)

Contract Quantity:

Product 1:

May 1, 2002, - December 31, 2002: 350 MW
January 1, 2003 – December 31, 2003: 600MW
January 1, 2004 – December 31, 2009: 1000MW

Product 2:

May 1, 2002 – May 31, 2002: 200MW on-peak hours
June 1, 2002 – June 30, 2002: 50MW on-peak hours
July 1, 2002 – May 31, 2003: 650MW on-peak hours
June 1, 2003 – December 31, 2003: 400MW on-peak hours and
May 1, 2002 – December 31, 2003: 400 MW off-peak hours

“On-peak hours” are the hours from the hour ending 0700 through the hour ending 2200, Monday through Saturday (except for official NERC holidays). “Off-peak hours” are all hours on Sunday and any other day that is a NERC holiday and the hours from the hour ending 0100 through the hour ending 0600, and the hour ending 2300 through the hour ending 0000) Monday through Saturday (excluding NERC holidays).

Contract Quantity for Product 2 is set forth on Schedule 1 for illustrative purposes.

(Above Contract Quantities, and the Contract Quantity for Product 2 as set forth on Schedule 1, are subject to "Special Conditions" below.) In the event of a conflict between the provisions of this Confirmation and Schedule 1, the provisions of this Confirmation shall prevail.

Delivery Point: Any point or points designated by Seller on North Path 15, except as the Parties may otherwise agree. Seller may schedule one or more different delivery points on an hourly basis pursuant to CAISO protocols (or any successor protocols).

Contract Price

Energy Price:

Product 1: \$58.60 per MWh

Product 2: For each month, Buyer shall pay Seller the Monthly Fuel Costs plus \$1.50 per MWh scheduled by Buyer and delivered for variable operation and maintenance costs in arrears.

Monthly Fuel Cost = sum of Daily Fuel Costs for each day in a given month; provided, however, that, if and to the extent that Buyer and Seller mutually agree on a fuel plan for supplying the fuel for Product 2, the Monthly Fuel Cost shall be the cost of fuel pursuant to such agreed fuel plan.

Daily Fuel Cost = (7.75 Mmbtu/MWh x number of MWh scheduled during such day) x Daily Gas Index for such day (in \$/Mmbtu)

Daily Gas index = Price equal to the daily Midpoint price for PG&E Citygate for the applicable Flow Date as published in Platt's Gas Daily or successor publication mutually satisfactory to Buyer and Seller, plus all applicable PG&E local distribution company gas distribution charges in accordance with PG&E's tariff, plus all applicable PG&E tariff surcharges, if any.

Other Charges:

Product 1: N/A

Product 2: A monthly capacity payment, payable in arrears, of \$12.50 per kW-month times the on-peak capacity, for all Product 2 capacity.

Capacity Payments for Product 2 are set forth on Schedule 1 for illustrative purposes.

(Above capacity payments for Product 2, and the capacity payments set forth on Schedule 1, are subject to "Special Conditions" below.) In the event of a conflict between the provisions of this Confirmation and Schedule 1, the provisions of this Confirmation shall prevail.

Delivery Period:

Product 1: May 1, 2002 - December 31, 2009

Product 2: May 1, 2002 – December 31, 2003

Special Conditions:

(1) See Cover Sheet to Master Agreement.

(2) (a) Notwithstanding anything to the contrary herein, Seller shall arrange and be responsible for transmission service to the Delivery Point, if any, and shall obtain Schedule Coordinator services necessary to deliver the Product to the Delivery Point.

(b) As to Product 2 only, Seller shall be responsible for all charges due to the CAISO, and entitled to receive all payments from the CAISO, related to schedule deviations; provided, however, if a schedule change is directed by Buyer, Buyer shall be responsible for all charges due to the CAISO, and entitled to receive all payments from the CAISO, related to such schedule deviations.

(3) (a) An Event of Default shall exist under this Transaction if Seller schedules through CAISO or delivers less than 95% of the Contract Quantity energy scheduled by Buyer in any two consecutive calendar months (the "Default Months"). For the purposes of the preceding sentence, deliveries shall include deliveries of Contract Quantity energy through the CAISO imbalance energy market as the result of any scheduling coordinator other than Seller failing to deliver under a schedule but shall not include the use by Seller of the CAISO uninstructed

imbalance energy markets to effect a scheduled delivery of the Contract Quantity energy from any of its units except with respect to (i) any underdelivery resulting from a unit Forced Outage or Force Majeure events and where Seller has submitted a schedule change as soon thereafter as reasonably practical and (ii) any underdeliveries resulting from instructed deviations from schedules directed by Buyer or the CAISO.

(b) Seller shall (consistent with the requirements or definitions of CAISO or its successor) provide Buyer with revenue quality data daily with respect to all deliveries of Contract Quantity energy and allow Buyer upon reasonable notice to test all meters providing such data. Buyer shall have ten (10) days after the end of each month to determine whether Seller has scheduled or delivered 95% of the Contract Quantity energy scheduled by Buyer during such month in accordance with subsection (a). If Buyer does not respond within such ten (10) day period, Seller shall be conclusively deemed to have scheduled or delivered 95% of the Contract Quantity energy scheduled by Buyer during such month; provided, however, that such ten (10) day period shall be extended day for day for each day after the end of such month that Seller has not provided to Buyer revenue quality data daily with respect to all deliveries of Contract Quantity energy during such month or allowed Buyer to test meters providing such data.

Failures to schedule or deliver Contract Quantity energy for the purpose of subsection (a) shall not include any failures resulting from metering failure or malfunction that is not the result of Seller's negligence; provided that Seller shall act promptly to repair or replace any such meter.

(c) Upon occurrence of an Event of Default pursuant to this Special Condition 3, Buyer may elect to terminate this Transaction pursuant to Section 5.2 of the Master Agreement, obtain damages pursuant to Article IV of the Master Agreement or exercise any other remedies available to it under the Master Agreement. Except as otherwise set forth in this Special Condition 3, Buyer's sole remedy for Seller's failure to schedule or deliver Product shall be as set forth in Article IV of the Master Agreement. Buyer must exercise any right it may have to terminate this Transaction upon an Event of Default pursuant to this Special Condition 3 not later than 30 days after the close of the first calendar quarter following the Default Months.

(4) Upon request of Buyer, Seller will provide Buyer with sufficient information to enable Buyer to determine whether

Seller's scheduling coordinators are effecting delivery of scheduled Contract Quantity market energy purchases through the CAISO imbalance energy markets. Seller authorizes Buyer to obtain such information from CAISO as may be necessary to determine compliance with the provisions hereof or to determine whether Seller's scheduling coordinators are effecting delivery of scheduled Contract Quantity market energy purchases through the CAISO imbalance energy markets, and Seller hereby waives its right to object to CAISO providing such information to Buyer; provided, however, that Buyer shall only use such information for the purposes of monitoring Seller's compliance with the provisions hereof. The Parties elect to make Section 10.11 of the Master Agreement applicable to such information. Seller will not submit any negative decremental bids to CAISO with respect to the Contract Quantity unless mutually agreed nor claim unavailability of Seller-owned generating capacity based on Forced Outage or Force Majeure when in fact none exists.

Scheduling:

Product 1: N/A

Product 2: Conforming to CAISO and WSCC standards. Up to 100% of Contract Quantity may be scheduled by Buyer on a day-ahead basis. Buyer will schedule such day-ahead Contract Quantity by delivering a preliminary schedule to Seller by not later than 5:30pm PPT two days prior to the delivery date which preliminary schedule may be adjusted not later than 7:00am PPT on the day prior to the delivery date. Up to 30% of Contract Quantity may be scheduled by Buyer on an intraday basis upon notice one hour in advance of the CAISO intraday scheduling notice requirement or equipment limitations, whichever is greater. Buyer shall have no minimum purchase obligation for Product 2. Seller will attempt to mitigate any charges, if any, associated with system wide or customer specific Operational Flow Order or Emergency Flow Order conditions; provided, that such mitigation shall be at no cost to Seller. Buyer will be responsible for reimbursing Seller for such charges assessed by PG&E or its successor for such conditions that cannot be reasonably mitigated by Seller without cost to Seller. Buyer may change the scheduled Contract Quantity from one hour to the next in an amount equal to 25 percent of the on-peak Contract Quantity for Product 2.

Option Buyer: N/A

Option Seller: N/A

Type of Option: N/A

Strike Price: N/A

Premium: N/A

Exercise Period: N/A

This amended and restated confirmation letter is being provided pursuant to and in accordance with the Amended and Restated Master Power Purchase and Sale Agreement dated April 22, 2002 (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. This amended and restated confirmation letter constitutes an amendment and restatement of the Confirmation dated February 6, 2001, effective as of May 1, 2002. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Calpine Energy Services, L.P.

State of California Department of Water Resources
separate and apart from its powers
and responsibilities with respect to
the State Water Resources
Development System

By: _____

Name: E. James Macias

Title Executive Vice President

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By: _____

Name: Thomas M. Hannigan

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SCHEDULE 1

Calpine #1, Product 2 Contract Quantity

<i>Date</i>	<i>On Peak (MW)</i>	<i>Offpeak (MW)</i>
May-02	200	400
Jun-02	50	400
Jul-02	650	400
Aug-02	650	400
Sep-02	650	400
Oct-02	650	400
Nov-02	650	400
Dec-02	650	400
Jan-03	650	400
Feb-03	650	400
Mar-03	650	400
Apr-03	650	400
May-03	650	400
Jun-03	400	400
Jul-03	400	400
Aug-03	400	400
Sep-03	400	400
Oct-03	400	400
Nov-03	400	400
Dec-03	400	400

Calpine #1, Capacity Payment Table

<i>Date</i>	<i>Capacity Payment (\$)</i>
May-02 \$	2,500,000
Jun-02 \$	625,000
Jul-02 \$	8,125,000
Aug-02 \$	8,125,000
Sep-02 \$	8,125,000
Oct-02 \$	8,125,000
Nov-02 \$	8,125,000
Dec-02 \$	8,125,000
Jan-03 \$	8,125,000
Feb-03 \$	8,125,000
Mar-03 \$	8,125,000
Apr-03 \$	8,125,000
May-03 \$	8,125,000
Jun-03 \$	5,000,000
Jul-03 \$	5,000,000
Aug-03 \$	5,000,000
Sep-03 \$	5,000,000
Oct-03 \$	5,000,000
Nov-03 \$	5,000,000
Dec-03 \$	5,000,000